

# HIGH AND LOW TARIFFS, AND THEIR EFFECTS.

Whatever may be claimed to the contrary, the first duty of a civilized government is to protect the interests of those over whom it exercises its guardianship. It is the duty of the head of a family to provide for his household, and to use every legitimate means to advance the interests and improve the condition of each individual under his protection. It is the same with the national government, which is, and of right must be, so far, purely selfish in its policy—aiming by every possible means within its power, to advance the material, political and social interests of its own people, without regard to those of other nationalities, except so far as not to interfere with their rights. The nation may, and should encourage the pursuit of foreign commerce just to the extent that international trade will tend to the benefit of its own people, and no further. And it would be folly to attempt to argue that any civilized nation is prompted by any other motive than that here indicated.\* There is and must be a national selfishness, and no treaty is made or international privilege accepted, in which each of the contracting powers does not believe that it will be directly benefitted in the result.

A nation is therefore not only morally free, but in duty bound, by the claims of its own people, to ordain such tariff regulations as will best subserve its own interests, however much they may be to the disadvantage of other nationalities.

A tariff of duties imposed on imported goods, to be considered impartially and treated properly, must be viewed from a national, rather than a sectional stand-point. Its objects will then be admitted to be of a two-fold nature—

First: To provide a Revenue for the Government.

Second: To afford Protection to Home Industry.

If we except England, which abandoned a highly protective policy, and adopted the free trade principle, from a purely selfish motive—a change from which her manufacturers are now suffering†—there is not to-day

\* "The nation exists of itself and for itself—not by the grace or for the benefit of any beyond its boundaries. The nation's chief duty is to attend scrupulously to its own welfare. It is to pursue its own ends by its own means, strenuously perfecting its organic law, and enhancing its internal vigor, while also growing outwardly, so far as it may do so with prudence, and without trenching upon the rights or meddling with the affairs of others."—WHARTON.

† It may well be doubted whether, in modern times, any financial legislation, even under its most favorable conditions, can or ought to recognize any other principle than that of enlightened selfishness.—Rep. Sp'l Com. Internal Revenue, 1863, p. 24.

† To encourage the manufacture of beet sugar at home, France imposed a duty on imported sugar. That country is now producing sugar at 3 to 3½ cents.

a civilized government that does not recognize and act upon the principle of both revenue and protection in the arrangement of its tariff on foreign importations.

At the very commencement of the United States Government, the two-fold object of a tariff was distinctly recognized, and acted upon. All Congressional controversy that has since taken place on the subject—beyond that necessary to a proper adjustment of the tariff—originated in sectionalism and the absence of a national patriotism. The first legislative action on the subject was purely national in its character. In the very first session of the first Congress a law was passed, the preamble of which declares it to be "necessary for the support of the Government, for the discharge of the debts of the United States, and encouragement of manufactures, that duties be laid on goods, wares and merchandise imported."

Without going into historical details (for which there is not room in a short article), it is enough to say here that the tariff has been frequently changed from high to low, and low to high rates of duty, and always with decided results in the effects produced on the revenues of the Government and the industries of the country. Wages are so much lower in European countries that a low tariff in the United States has invariably opened the way for a surfeit of foreign goods, to the injury of our own manufacturers, while a high protective tariff has simply placed our manufacturers on an equal footing with foreign competitors.

For illustration the last twenty years of our experience may be selected. During the first five years of this period the Government was under Democratic rule, as it had been for a number of years before, and the country went through

## A LOW TARIFF EXPERIENCE.

Free Trade was then and still is the Democratic policy. The customs tariff on dutiable goods did not average over 21 per cent., and on the aggregate of imported goods it

per pound, and after supplying her own people, is exporting to England to such an extent that the English refiners of colonial sugars have become alarmed, and appealed to the Government for protection. A delegation of them, in a recent interview with Lord Derby, declared that the "enormous increase" in the product of French beet sugar would, if it continued, "swamp the West Indies."

Belgium is supplying England largely with iron; Germany sends over supplies of broad cloths; and United States manufacturers are doing a good business in the English markets, in the line of superior cutlery.

George T. Clarke, Esq., for twenty years an iron-master in South Wales, in an article in the London ECONOMIST, of March 13, 1875, lamenting the condition of the English iron trade, says of free trade: "To it, almost all foreign nations are, at the least, indifferent, and all foreign governments, whether monarchical or democratic, are opposed."



was less than 17 per cent., as the following table will show:

Years....	CUSTOMS.	IMPORTS.		Per cent. on dutiable.	Per cent. on aggregate.
		Free.	Dutiable.		
1855	5,025,794 00	4,691,336 22	378,184	23 06	29 63
1856	64,022,863 00	56,955,736 25	7,067,126 75	25 00	29 03
1857	63,875,905 00	65,729,336 29	16,835	21 05	17 07
1858	41,780,621 00	80,319,275 20	293,875	21 05	14 08
1859	49,565,840 00	79,720,116 25	947,014	19 06	14 06
1860	53,187,511 00	90,841,749 27	872,327	19 06	14 07
1861	39,582,186 00	134,559,196 21	8,180	18 01	11 02
1862	49,053,398 00	91,634,811 18	843,458	26 07	17 07
1863	69,559,612 00	44,826,029 28	1,938,991	31 02	3 07
1864	102,316,153 00	51,241,183 25	320,955	37 02	51 00
1865	81,928,230 00	54,329,588 19	226,664	41 07	34 02
1866	179,046,630 00	69,728,618 37	783,544	47 06	41 02
1867	176,417,811 00	39,165,718 32	627,611	47 34	42 00
1868	61,461,599 56	29,814,147 34	6,531	47 86	41 08
1869	180,048,426 63	41,179,172 39	5,847,368	45 48	41 02
1870	194,538,374 44	46,559,965 45	217,622	46 78	42 00
1871	236,270,480 05	57,857,761 48	635,947	42 63	38 07
1872	216,370,286 77	61,010,925 79	327,864	47 52	33 79
1873	188,689,522 71	166,236,821 49	32,326	47 8	28 34
1874	163,103,833 69	179,933,686 45	924,480	39 21	27 54

There are those living who remember the condition of the country from 1855 to 1861. Our markets were supplied with imported manufactures, and American mills, factories and workshops were closed; wages were reduced to the lowest point, and three-fourths of the factory employes and mechanics throughout the country were idle. In 1857, general distress prevailed.\* The revenues were reduced, until they failed to meet the current expenses of the Government. By Act of December, 1857, \$20,000,000 of Treasury notes were issued to relieve the Government. On the 14th of June, 1858, an additional loan was ordered, amounting to \$20,000,000 more; but so low had the public credit become, no money could be obtained at home or abroad. Subsequently, Congress authorized the Secretary of the Treasury to dispose of the securities on the best terms he could make, and they were sold at 8, 10, and even 12 per cent. discount. The debt thus incurred under the Buchanan low-tariff administration was paid by Secretary Chase in 1862, in the midst of the pressure for money to meet the expenses of the Democratic rebellion.

Sick of their low tariff experience, President Buchanan, the representative of the Democratic free-trade policy, in his message to Congress, December 6, 1858, "recommended an increase of the tariff and a resort to specific duties, as the only reliable means of collecting the revenues, and at the same time affording that incidental protection to manufactures, to which they were fairly entitled under a revenue tariff."

\* Mr. Dobbins, a practical farmer from New Jersey, said in the House of Representatives, February 12, 1875: "I have been an observer, sir, as well as a practical man, and I have invariably found that, under a low tariff, or the free trade system, the practical bearing of it was general devastation and want. The business interests of the country have generally suffered, and suffered materially. And, sir, I believe that our interests are mutual; that when the great manufacturing interests of the country are prosperous, then all are prosperous."

#### UNDER A HIGH TARIFF EXPERIENCE.

After depleting the Treasury, and preparing the way for secession and a civil war, the Democratic party went out of power. Their successors favored a tariff for the two-fold purpose of Revenue and Protection, and from that period up to the present time, the Government has been conducted on that principle. The tariff was increased from time to time up to an extreme—under the necessities of war, and to meet the war expenses—far beyond the requirements of a peace policy. The revenues from the tariff alone, since 1861, have amounted to the enormous sum of \$2,170,460,215.90—an amount nearly equal to the public debt, and which, in gold, would require seven ships to transport it from New York to Liverpool, each one carrying five hundred tons in weight; and there would still remain one hundred tons of gold, worth \$60,279,000, in coin.

But what has the tariff accomplished during the period indicated?

1. It sustained the war. It is true that funds were raised through other sources; but the tariff was the controlling influence in replenishing the Treasury, providing the sinews of war and paying war debts, by contributing from one hundred up to more than two hundred million dollars per annum. Without this revenue, not a dollar could have been raised on United States bonds in Europe. They would have remained untouched, as in the days of the Buchanan administration, and the nation would have been severed and sacrificed to the spirit of secession—its fragmentary remains to-day affording a sorry sequel to the experiment of Republican government.

2. The tariff restored the lost credit of the Government, and more than doubled its borrowing power. Under Buchanan's administration, borrowed money cost 12 per cent. to obtain. Under the present administration, a loan of \$500,000,000—necessitated by the Democratic rebellion—has just been completed at 5 per cent. per annum, and the next loan, under the funding act, will be taken at 4½ per cent.

3. The tariff has more than doubled the manufacturing power of the nation. Hundreds of new industries have sprung into existence that would not have been attempted under a low tariff, and against the competition of older manufacturing countries. The crisis of 1873, let it be understood, was the result, not of stagnation under a high tariff, but of the consummate folly of speculative expansion. The tariff saved the country from the prostration that would otherwise have inevitably followed close after the war; but injudicious speculation blocked the wheels of business, at a later period. This has now nearly effected its own cure, and under a judicious tariff there is a bright future ahead.

WHO PAYS THE REVENUE DERIVED FROM IMPORTED GOODS?

Having demonstrated the office and power of a judicious tariff in providing revenues, sustaining the credit of the nation, and fos-



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terling us industries, the next natural enquiry is: Who pays this large annual revenue? Free-traders contend that "The nation which undertakes to collect revenue by duties upon imported goods, takes the most costly and absurd method of taxing its people, out of whose pockets all that revenue comes."\*

Standing thus on a false basis, Free-traders next claim that the same amount that is collected upon imported goods is also added to all home products of a similar character. In other words, that our duty of four cents per pound on Canadian butter increases the price of all the butter made in the United States, four cents per pound.† And having taken this position, Free-traders next charge that the Government, in this way, actually takes money out of the pockets of our citizens who are consumers, and puts it into the pockets of those who are manufacturers; thus "confiscating the property of one citizen for the benefit of another." Strange as it may appear, these absurd assumptions find believers, and thus an opposition to a judicious tariff is maintained.

Now let us see how this free-trade theory would work in practice: The duty on wheat is twenty cents a bushel, and it is imposed for the protection of our farmers, against the importation of Canadian and other foreign wheat. According to the Free-traders' theory, this duty of twenty cents a bushel paid on imported wheat will add twenty cents a bushel to all wheat grown in the United States. The census of 1870 shows that the product of wheat for the previous year was 257,745,626 bushels. Twenty cents a bushel added to the price would put \$57,549,125.20 more into the pockets of our farmers than they would receive, if wheat came into the country duty free. This would be a pretty nice thing for the farmers, if the free-trade theory held good in practice. Unfortunately for wheat growers it does not.‡ The Canadian wheat that comes to our markets does not affect the price of the home article; if it did, in any way, it would be to reduce the price of our own product by competition. But the imported quantity is so small, compared with the home product, that it has no perceptible effect on our current market prices. The fact is, the foreign producer must pay the duty out of his own pocket, and then sell at our prices. The same conditions hold good with nine-tenths of all the foreign goods that come to the United States for a market. The home product is so much larger than the im-

\*Joseph Wharton, in the "Atlantic Monthly," for September, 1875.

† Here is the statement of the Free-trade League of New York, taken from one of their publications:

"The tariff raises the price of both American and foreign articles. This necessarily follows from the foreign article selling here; for if the American was not raised to the same price it would undersell the foreign, and the foreign could not be sold."

‡ The absurdity of the free-trade doctrine is demonstrated in the article of crude petroleum, which frequently sells at 3 to 5 cents per gallon. The duty is 20 cents. Will those idiots explain how they manage to crowd the 20 cents duty into the cost, and still place the article on the market at 3 to 5 cents?

ported quantity, that our own supply establishes prices, and the foreign producer enters into competition with us in our own markets with the full understanding that he must pay the duty on his products, and then sell them at our current market prices.\* During the last fiscal year, there were \$157,167,722.35 of revenue derived from the duty on imported goods. Of this, not less than \$125,000,000 were paid by the foreign producers. It was paid for the privilege of using the United States markets for the sale of their commodities, and is as direct a tax on the producer as are the charges for freight, insurance, and commissions. Foreign importers know this better than some of our own people, after listening to the sophisms of Free-traders, who are more interested in crowding our markets with foreign products, than they are in giving encouragement to Home Industry. If the duty on imported goods did not come out of the pockets of foreign producers, we should be entirely free from outside pressure for reciprocity with the Dominion of Canada, and less money would be contributed by English manufacturers to circulate free-trade documents among the people of this country.†

#### A TARIFF INCREASES HOME COMPETITION, AND REDUCES THE PRICE OF PRODUCTS.

Alexander Hamilton, first Secretary of the Treasury, fully comprehended the effects of a protective tariff. At the opening of the second session of the First Congress, in his celebrated financial report, Mr. Hamilton said:

"But though it were true that the immediate and certain effect of a tariff was an increase of price, it is universally true that the contrary is the ultimate effect with every successful manufacture. When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it can be afforded, and accordingly seldom or never fails to be sold cheaper, in process of time, than the FOREIGN article for which it is a substitute. THE INTERNAL COMPETITION WHICH TAKES PLACE SOON DOES AWAY WITH EVERYTHING LIKE MONOPOLY, and by degrees reduces the price of the article to the minimum of a reasonable profit on the capital employed. This accords with the reason of the thing, and with experience."

A tariff enables our manufacturers first to compete successfully with foreign produc-

\*"The chief part of the revenue collected from import duties, comes from the pockets of foreigners and not from citizens. To that extent it is as clear gain to the nation collecting it, as if it were fished out of the sea, at merely the cost of collection. Indeed, it is more than this, for, while the rival is thus forced to pay tribute, he is at the same time deterred from throwing in so great a quantity of his goods disturbing home labor and drawing away so much money as he otherwise would."—WHARTON.

† In a preamble and joint resolution relative to the plate glass industry of New Albany, Indiana, which was passed by the Legislature of Indiana, Feb 23, 1875, occurs the following: "And whereas, the foreign manufacturers of polished plate glass, have united, and publicly say: 'We have had a long and profitable trade in America; we can afford and will sell polished plate glass for years, at a loss, rather than yield this trade to American manufacturers.'"

Lord Brougham, in the House of Commons, said: "England could afford to bear some loss on the export of her goods, for the purpose of destroying foreign manufactures in their cradle."



tions in the introduction of new industries; and then home competition guarantees reasonable prices. Here is an illustration, condensed from the annual report of the Iron and Steel Association of Philadelphia: In 1864, England monopolized our market for steel rails, and charged \$162 per ton, in gold, for rails delivered in New York. Our capitalists could not compete with England unless a duty was placed on the foreign product. A duty was imposed. In 1865 two steel rail works were in operation here—the first in this country. Foreign rails were reduced to \$120 per ton. In 1867 three manufactories were in operation here, and three others were in course of construction. Foreign rails fell to \$110 in gold. In 1869 the capacity of our works was equal to the American demand, and foreign rails were reduced to \$80 per ton.

To this, Mr. Joseph Wharton, in an article on "National Self-Protection," in the *Atlantic Monthly*, adds, that the maintenance of  $1\frac{1}{2}$  cents per lb. duty on steel rails caused other Bessemer works to be erected, and the best steel rails are now selling at \$75 currency, per ton, or about \$65 in gold, "a lower price than that of iron rails two years ago, but little higher than steel rails could be landed here now from England duty free, and doubtless, \$25 per ton lower than they could be had *duty free*, if our works had not, by protection, been called into existence."

The same is true of a very large class of new industries that have sprung into existence, and are prospering under the protective tariffs of the last decade, including fine cloths, Axminster, and other extra carpetings, shawls, and the finer goods for ladies' wear. John L. Hayes, Esq., of Boston, Secretary of the "National Association of Wool Manufacturers," says in a recent report: "Our silks, lustres, serges, and a great variety of cotton stuffs, of a class not made in this country, prior to the tariffs of 1862, and subsequent dates, challenge comparison with any similar goods made abroad. And in the article of carpets," he continues, "I say, without hesitation, that we surpass the manufacture of any other country on the globe. But the great fact to be looked at," he adds, "is that we have not only done all this, but we have been enabled to make these goods cheaper through the competition that grows out of our protective system."

#### A TARIFF DISCOURAGES MONOPOLY AND MULTIPLIES MANUFACTORIES.

Free Traders claim that a protective tariff favors monopoly. They are no nearer the truth in this than in most of their other theories. A tariff creates confidence, and confidence enlarges the number of persons willing to invest their capital. New establishments quicken competition. The field of operations is widened by the erection of manufactories in sections of the country where none existed before. Under the tariffs of Republican Congresses, since 1862, cotton mills, manufactories, machine shops and other industrial establishments, have more than doubled in num-

ber in the South, Northwest and West. These give employment to scores, hundreds, and even thousands of employes, who require food, clothing, shoes, books, schools, newspapers; and in turn, create business for mechanics, teachers, printers.\* The village grows into a town, and the town, in a few years, becomes a city. Railroads are constructed, farm lands double in value, and farm products find a home market.†

In this way a perfect harmony of interests is secured, and under this system of protection and development, labor is certain of its largest reward. Industry and economy make prosperous mechanics and thriving farmers, and those who serve faithfully for wages, in a few years become, in turn, proprietors.

And while protection against a surfeit of foreign manufactures stimulates home industries, our system at the same time affords the most extensive area of absolute free trade the world has ever known. Not a single custom-house obstructs our interstate commerce. Trade and traffic are absolutely free from Maine to Oregon, and there is no impediment to an unobstructed and unlimited commerce by land or water.

Herein is the perfection of our Free Trade system, and herein is the secret of our national development. Said M. Thiers, before the *Corps Legislatif*, on the 22d of January, 1870, "Do you know what is the true competition of nation with nation—the universal competition? It is a noble ambition on the part of such people, *the noble emulation of producing every thing at home*, and even that which it produces with less advantage than other people. This competition has, as its result, the reduction of prices to the lowest attainable standard, throughout the world."

These are some of the results of a judicious tariff, a measure to which the Republican party has hitherto given its almost unanimous support, and which will continue to be its policy so long as any portion of the national debt remains unpaid, and the interests of the people require the aid of a protective tariff.

\* This advance of the arts and industries, the home market, the neighboring saw and grist mill, a varied industry and varied opportunities, are the farmer's needs. For them he could well afford, if need were, to pay temporarily higher for some few of his necessities, while his neighbors are learning to make them, especially as they, meantime, are paying him better for his crops.—WHARTON.

† I believe that the true solution of this question of getting the full value for the products of the farmer depends, in the end, in placing the farmer side by side with the consumer.—Mr. PARKER, of Missouri, House of Reps., Feb. 12, 1875.

† Seaman, in his "Progress of Nations," says: "The question is not so much what a nation can produce, but what its people can sell and get their pay for. MARKETS, therefore, enter into the question as the great, yea, the greater and most important of all the elements of political economy. The important point is to secure a market; to secure THE HOME MARKET FIRST, for their own laborers and manufacturers, as far as they may want it, and thereby create a market for their own domestic products. MARKETS, I REPEAT AGAIN, ARE THE GREAT STIMULANTS TO INDUSTRY, AND OF ALL THINGS IN THE WORLD THEY ARE THE MOST IMPORTANT, AND NECESSARY TO SUSTAIN IT."